

FANCL

正直品質。

FANCL Group Financial Results Briefing For the period April 1, 2023 to June 30, 2023

August 4, 2023

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ESG

Raising the effectiveness of the
Board of Directors

Financial Highlights

Results by segment

(Millions of yen)	Q1 of FY to March 2023	Q1 of FY to March 2024	Change YoY
Sales	25,610	27,152	+ 6.0%
<i>Cosmetics</i>	14,885	15,391	+ 3.4%
<i>Nutritional supplements</i>	9,182	10,331	+ 12.5%
<i>Other</i>	1,541	1,430	(7.2%)
<i>Hatsuga Genmai</i>	493	463	(6.1%)
<i>Kale Juice</i>	466	442	(5.2%)
Operating income	1,737	3,202	+ 84.3%
Ordinary income	1,956	3,327	+ 70.0%
Net income	1,168	2,189	+ 87.4%
※1 EBITDA	2,786	4,172	+ 49.7%
※2 EBITDA margin	10.9%	15.4%	+ 4.5%

※1 EBITDA : Operating income + Depreciation

[Inbound sales (Direct store sales)]

¥480M (¥10M in previous comparable period)

※2 EBITDA margin : EBITDA / Sales

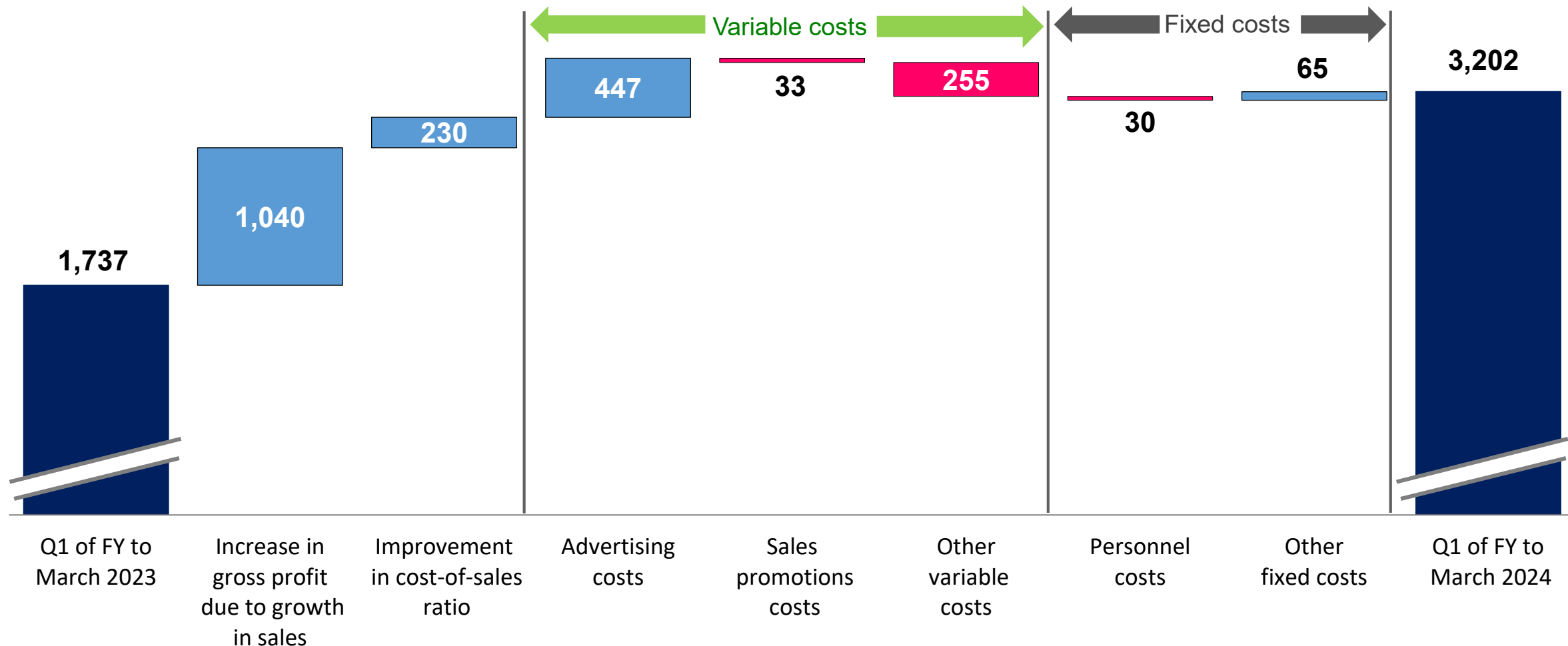
Sales breakdown (1Q)			
Region	Amount	Change YoY	
Domestic	24,923	+ 6.6%	
Overseas	2,228	+ 0.4%	
Cosmetics		Amount	
FANCL	Domestic	10,427	+ 4.1%
	Overseas	721	(16.8%)
	Total	11,149	+ 2.5%
ATTENIR	Domestic	3,353	+ 7.2%
	Overseas	530	+ 55.3%
	Total	3,884	+ 12.0%
<i>boscia</i>	150	(35.4%)	
Nutritional supplements		Amount	
Domestic	9,508	+ 13.1%	
Overseas	822	+ 6.3%	
Total	10,331	+ 12.5%	

Q1 Analysis of change in operating income

Results



(Millions of yen)



Outlook for first half / full year

Outlook for H1 of FY to March 2024

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(Millions of yen)	H1 of FY to March 2023	H1 of FY to March 2024 (plan)	Change YoY
Sales	50,639	52,480	+ 3.6%
Cosmetics	28,694	29,140	+ 1.6%
Nutritional supplements	18,866	20,500	+ 8.7%
Other	3,078	2,840	(7.8%)
Hatsuga Genmai	996	940	(5.7%)
Kale Juice	964	900	(6.6%)
Operating income	3,350	4,800	+ 43.3%
Ordinary income	4,176	4,900	+ 17.3%
Net income	2,654	3,200	+ 20.6%
※1 EBITDA	5,494	6,800	+ 23.8%
※2 EBITDA margin	10.8%	13.0%	+ 2.1%

※1 EBITDA : Operating income + Depreciation

※2 EBITDA margin : EBITDA / Sales

【 Inbound sales (Direct store sales) 】
Plan: ¥1B (¥40M in previous comparable period)

Sales breakdown (half year)

Region	Amount	Change YoY	
Domestic	47,770	+ 3.4%	
Overseas	4,710	+ 6.4%	
Cosmetics	Amount	Change YoY	
FANCL	Domestic	19,930	+ 2.8%
	Overseas	1,160	(23.3%)
	Total	21,090	+ 0.9%
ATTENIR	Domestic	6,380	+ 6.8%
	Overseas	920	+ 19.5%
	Total	7,300	+ 8.2%
boscia	370	(7.3%)	
Nutritional supplements	Amount	Change YoY	
Domestic	18,260	+ 6.6%	
Overseas	2,240	+ 28.9%	
Total	20,500	+ 8.7%	

Outlook of FY to March 2024

(Millions of yen)	FY to March 2023	FY to March 2024 (plan)	Change YoY
Sales	103,595	111,000	+7.1%
<i>Cosmetics</i>	57,448	60,840	+5.9%
<i>Nutritional supplements</i>	39,871	43,980	+10.3%
<i>Other</i>	6,276	6,180	(1.5%)
<i>Hatsuga Genmai</i>	1,985	1,970	(0.8%)
<i>Kale Juice</i>	2,005	1,970	(1.8%)
Operating income	7,843	12,000	+53.0%
Ordinary income	8,557	12,200	+42.6%
Net income	4,970	8,000	+60.9%
※1 EBITDA	12,220	16,000	+30.9%
※2 EBITDA margin	11.8%	14.4%	+2.6%

※1 EBITDA : Operating income + Depreciation

※2 EBITDA margin : EBITDA / Sales

【 Inbound sales (Direct store sales) 】

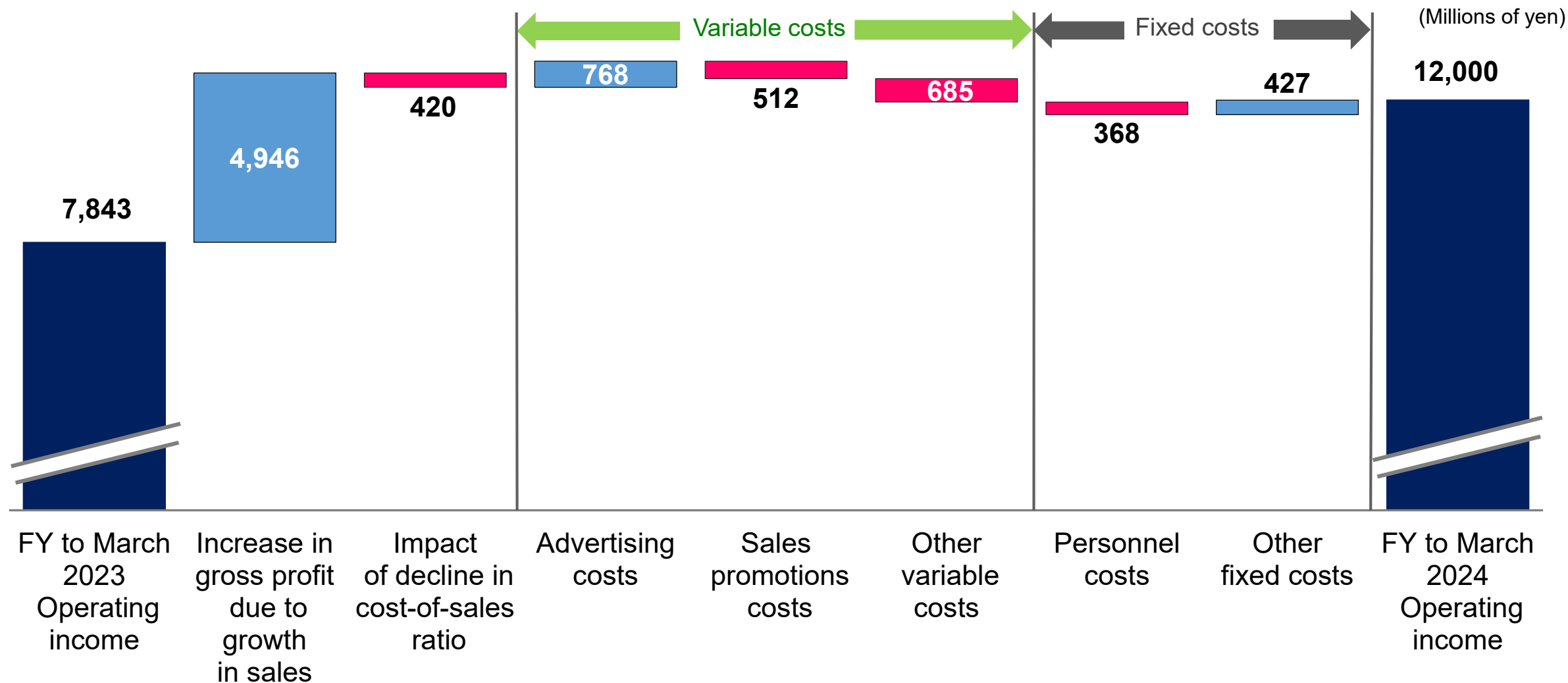
Plan: ¥3B (¥440M in previous comparable period)

Sales breakdown (Full year)			
Region	Amount	Change YoY	
Domestic	99,390	+5.9%	
Overseas	11,610	+19.0%	
Cosmetics		Amount	
FANCL	Domestic	41,050	+6.6%
	Overseas	3,160	(12.2%)
	Total	44,210	+5.0%
ATTENIR	Domestic	13,300	+7.2%
	Overseas	1,820	+75.7%
	Total	15,120	+12.4%
boscia	770	(1.7%)	
Nutritional supplements		Amount	
Domestic	38,140	+7.3%	
Overseas	5,840	+35.0%	
Total	43,980	+10.3%	

FY Mar/2024 : Analysis of change in operating income

Plan

Positive factors Negative factors



Q1 summary

Progress of FY Mar/2024 plan

Plan	Progress	Results and points going forward	
Expand sales through effective marketing	◎	<ul style="list-style-type: none"> Streamline advertising expenditure while strengthening sales promotions, and effectively expand sales by promoting retention and activation of existing customers <p>FANCL online and catalogue (cosmetics/supplements) sales: 105% YoY June sales at record high</p> <ul style="list-style-type: none"> Enhance growth channels on external platforms Promote retention through subscriptions, cross-selling 	
Rebuild store channels	○	<ul style="list-style-type: none"> Since spring, as a result of store events and counseling, sales at existing stores (excl. inbound) were 105%, recovering to a level surpassing last year's 	
Accelerate globalization	○	China supplements	◎ In addition to mainstay <i>Age Bracket-Based Supplements</i> , <i>Calolimit</i> growing as second pillar of product lineup
		ATTENIR	◎ Strong results from live commerce by KOLs
		boscia	△ Advancing structural reform for e-commerce. Sales at real stores were sluggish

Cosmetics Business

> New product effect enabled us to successfully grow sales and capture young customers

Increase in younger customers

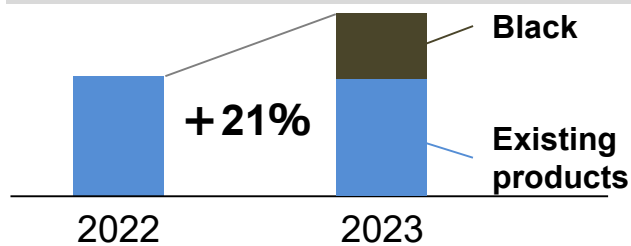
BRANCHIC prestige brand

MILD CLEANSING OIL – BLACK & SMOOTH –

Pore-specific BLACK MILD CLEANSING OIL

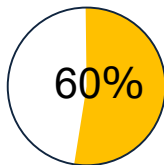


MILD CLEANSING OIL series sales (Q1)

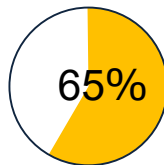


20s and 30s ratio (new customers)

Existing products



Black

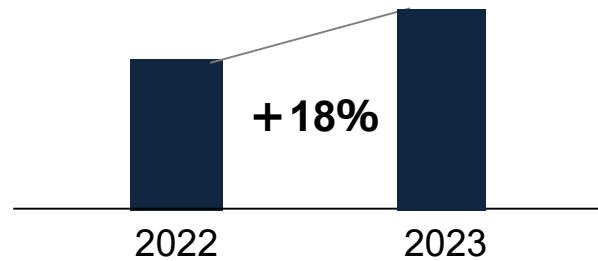


Launching refills on Aug. 17

BRIGHTENING (quasi drug) Blemish, dullness, skin irritation care

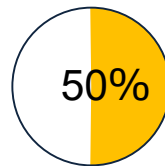


BRIGHTENING sales (Q1)

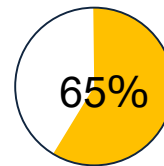


20s and 30s ratio (new customers)

Pre-renewal



Post-renewal



Plan to launch major product for young consumers in FY Mar/2025

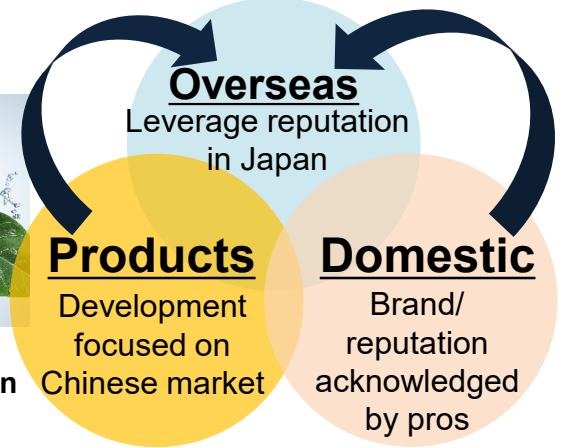
“No. 1 home esthe brand as ranked by esthe salons”



Awarded Gold Prize from ESTHE SELECTION 2023



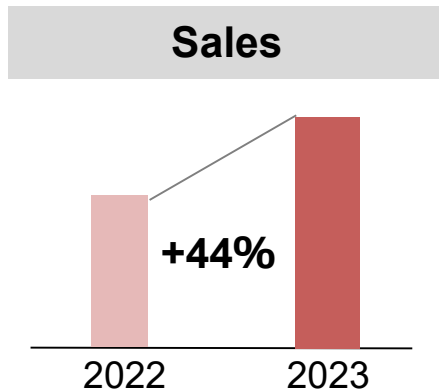
Launch toner/emulsion in Japan in Jul., China in Aug.



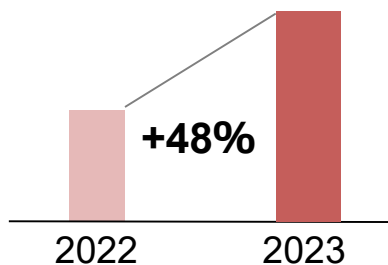
- > Record-high sales for Q1. Domestic sales on external online and catalogue platforms grew. Overseas sales far exceeded plan due to KOL live commerce initiatives

Domestic

External e-commerce platform sales (Q1)



Advertising expenditure



Dress lift and Dress snow renewal



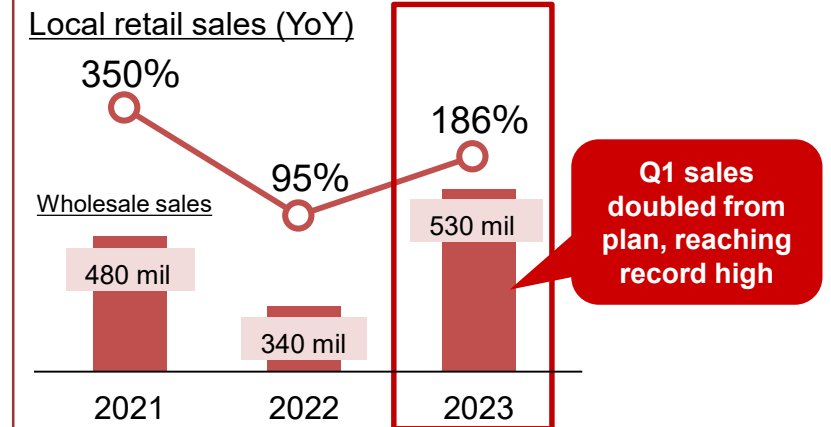
Renewed product launch on September 19, 2023

Improving anti-aging functionality

- ‘Penetration-enhancing EGT’ preps skin for **easier product absorption**
- **Original ingredient** ‘White Koji Fermented Collagen’ formulated to improve skin elasticity
- *Dress lift* to be designated **quasi-drug** upon renewal

Overseas

China cross-border e-commerce (Q1)



• **SKIN CLEAR CLEANSE OIL** sales reached record high on 618 Sale through KOL live commerce

• Tmall International Cleansing Category 2023 **Champion of the Year**



Health Business

> Promote development of next generation of star products, expand to Active Senior Segment to establish a foundation for medium- to long-term growth

Develop *Anti-Cholesterol Support* into next star product



	FANCL	Typical products
Function	Lowers: LDL cholesterol Total cholesterol LH ratio Non-HDL cholesterol	Lowers LDL cholesterol
Clinical Results	4 weeks	8-12 weeks

Sale price (tax incl.) revised ¥1,615→¥2,700

Results following October 2022 renewal

- Product sales **tripled from pre-renewal level**
- Number of drugstore placements: **1,500 stores→14,000 stores**

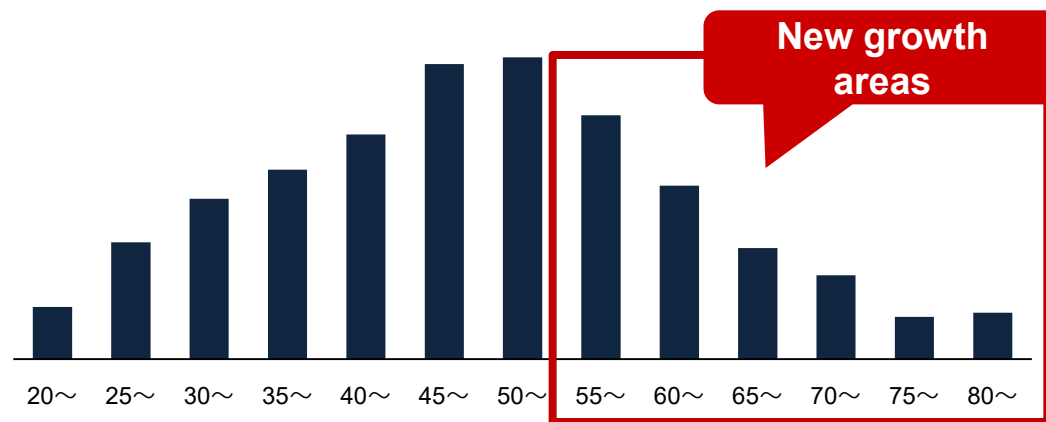
Measures to increase awareness



- Tie-ups with influencers
- **Commercials limited to areas with high lifestyle awareness**

Expansion to Active Senior Segment

FANCL (Supplements) customer composition by age group



- Plan to launch strategic products from FY Mar/2025
- Implement test marketing of supplements including *Raku Hiza*(Joint Support), *Age Bracket-Based Supplements*, *Bone Support*, etc. from September this year

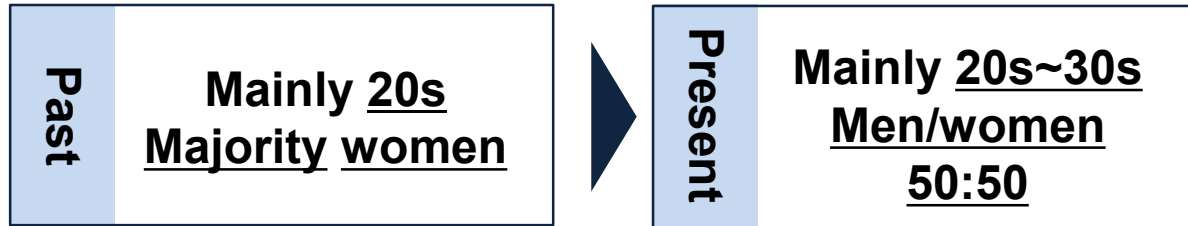


> Cross-border e-commerce market age group expanding. Strengthening sales to 30s~50s

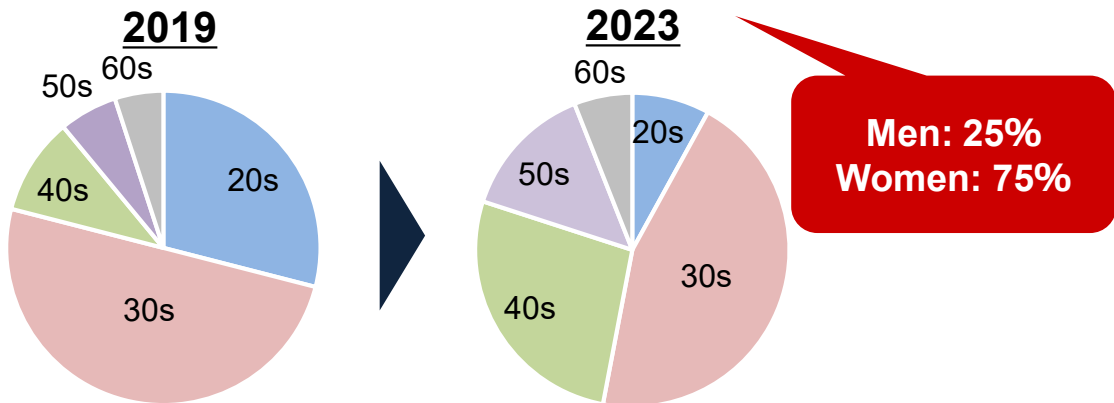
Cross-border e-commerce market

Market trends

Cross-border e-commerce user base expanding post pandemic



FANCL customer base



618 shopping day

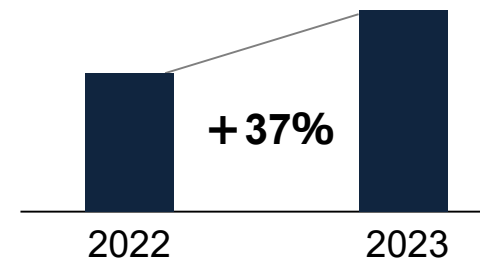
Multiple items positioned as priority products
Strengthened brand communication

Popular Chinese actress appointed brand ambassador

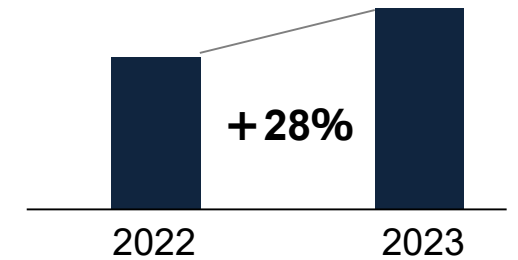
“There is a ‘power’ behind high efficiency”
Appeal for product efficacy in our body



Supplement sales by age Group (Jan-Jun)



Calolimit sales (Jan-Jun)



#7 in Tmall global supplement brand rankings

Channel

> Know customers better, strengthen connections to create uniquely FANCL customer development model

Revision of marketing methods

To date

Proactive investment in advertising captured new customers, strengthened customer base

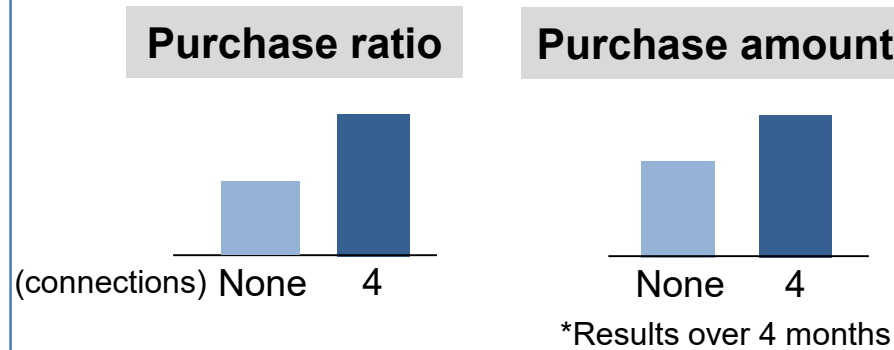
- Sharply higher advertising costs due to intensified competition
- Targeting less accurate due to tightened regulations

Future

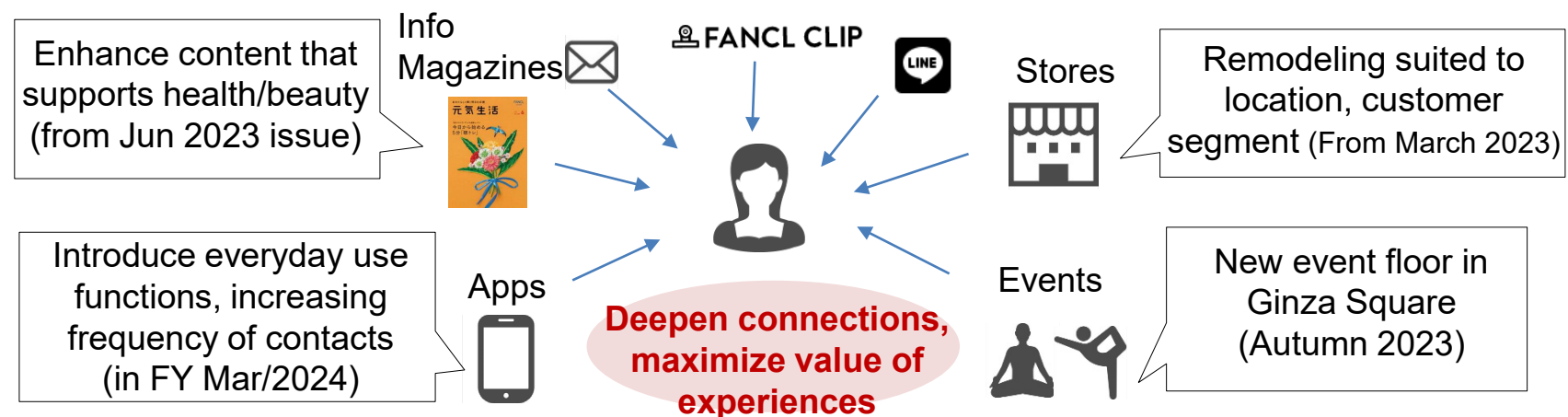
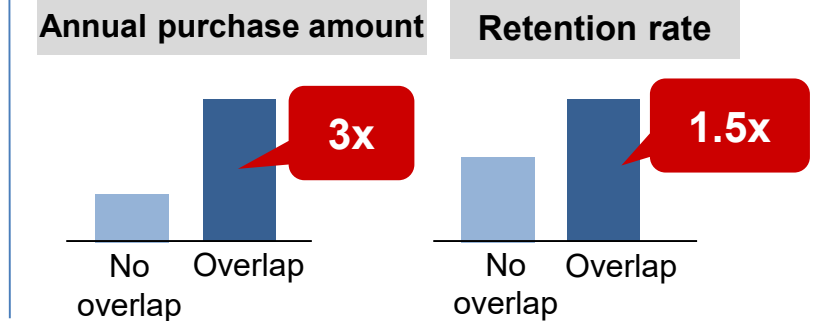
Based on data, aspire to communication suited to each individual customer, encouraging them to become fans

Effect of communication tools/channel overlap

More connections via info magazines, LINE, apps, etc., raise purchase ratio/amount



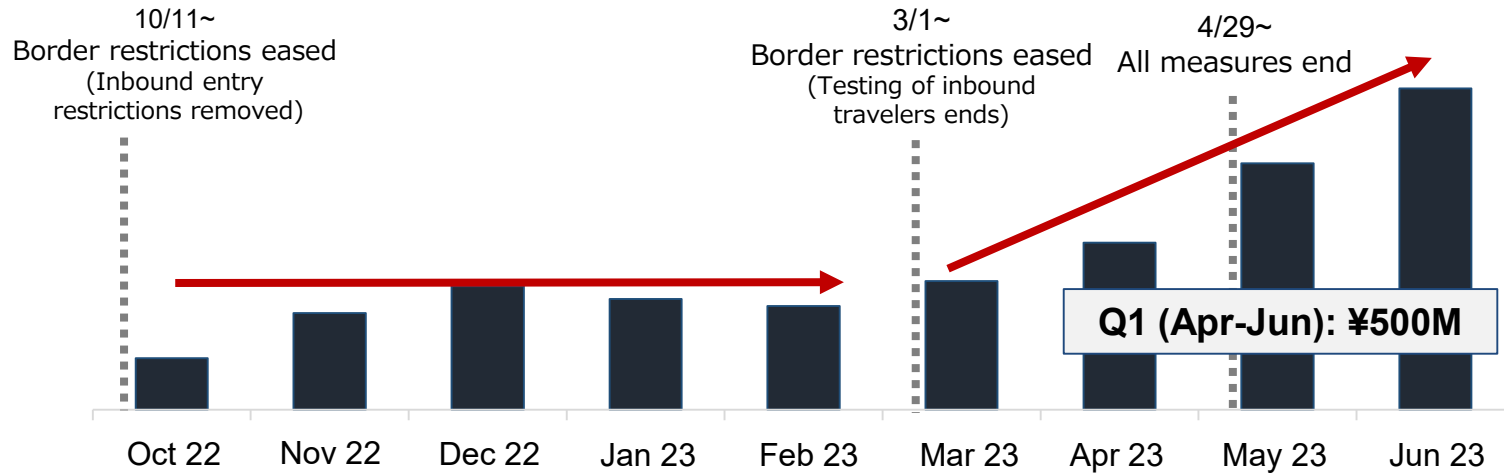
Customers who use both online/catalogue and retail channels have higher annual purchase amount/retention rate



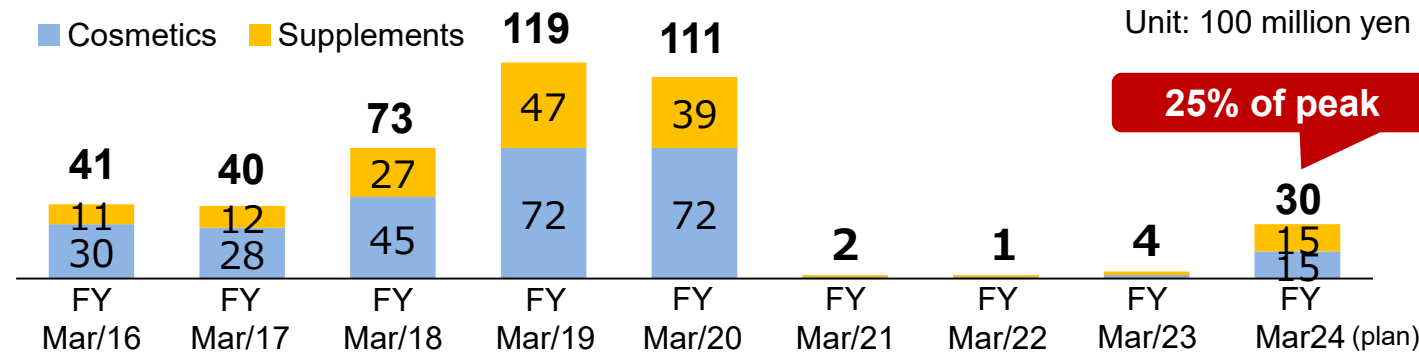
Inbound status (direct stores)

> Steady growth since border measures eased in March, outpacing annual targets

Monthly sales (Oct 2022~Jun 2023)



Inbound sales by year (revenue recognition basis)



Inbound growth measures

Share hands-on experience with Japan-only products, aesthetics via RED, WeChat, etc.

Before trip



Also used in Vietnam, Taiwan, Thailand

During trip



Furoshiki gifts



ESG

FY Mar/2023 Board of Directors effectiveness evaluation results

Board of Directors analysis/key evaluations

- | | |
|-------------|---|
| Management | • Prior explanation of important resolutions has led to enhancement of deliberations . |
| Composition | • Directors have a high degree of specialization and experience in various fields (corporate law, management, finance, marketing/branding strategy, etc.) and are appointed in a well-balanced manner . |
| Debate | • Outside directors are encouraged to speak proactively, debate is conducted freely and openly and appropriately reflected in business execution . |

Issues/policies to pursue going forward

- | | |
|-------------|--|
| Composition | • Seeing the appointment of female directors from within the company as an issue for medium- to long-term consideration, aim to systematically develop them within the succession plan adopted from this fiscal year. |
| Debate | • Increase medium- to long-term debate, utilize more of outside directors' knowledge. |

